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## [H.R. 3340, Financial Stability Oversight Council Reform Act](#)

### FLOOR SITUATION

On Thursday, April 14, 2016, the House will begin consideration of [H.R. 3340](#), Financial Stability Oversight Council Reform Act, under a rule. H.R. 3340 was introduced on July 29, 2015, by Rep. Tom Emmer (R-MN), and was referred to the Committee on Financial Services, which ordered the bill reported by a vote of 33 to 24 on November 4, 2015.

### SUMMARY

H.R. 3340 amends the Dodd-Frank Wall Street Reform and Consumer Protection Act to require funding for the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR) be subject to the annual Congressional appropriations process. The bill also requires the OFR to submit quarterly reports to Congress regarding its activities and provide for public notice and comment period before issuing a report, rule, or regulation.

### BACKGROUND

The Financial Stability Oversight Council (FSOC) was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act to monitor and mitigate threats to the financial stability of the United States. Dodd-Frank also created the Office of Financial Research (OFR), which attempts to identify and measure financial threats to the economy in order to support and advise FSOC in its mission.<sup>1</sup>

The FSOC is authorized to designate nonbank financial firms and financial market utilities as systemic so that they receive bank-like prudential regulation.<sup>2</sup> Nonbank financial firms (e.g., securities firms, insurance companies) may perform bank-like functions so designation subjects them to prudential federal regulation (such as capital and liquidity requirements) that has traditionally been applied to banks.<sup>3</sup>

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<sup>1</sup> See CRS Report, [“Financial Stability Oversight Council: Issues in the Financial Regulatory Improvement Act of 2015.”](#) December 4, 2015.

<sup>2</sup> At present, American International Group (AIG), General Electric (GE) Capital Corp., and Prudential Financial have been designated as nonbank SIFIs. On March 30, 2016, a federal judge issued an order rescinding the FSOC’s designation of MetLife as a SIFI. The Justice Department has indicated they will appeal the lawsuit. For more information on the lawsuit see CRS Report, [MetLife’s SIFI Designation Goes to Court](#)

<sup>3</sup> See CRS Report, [“Financial Stability Oversight Council: Issues in the Financial Regulatory Improvement Act of 2015.”](#) December 4, 2015.

The OFR has the authority to demand “all data necessary” from financial companies, including banks, hedge funds, private equity firms, and brokerages. The OFR can compel financial companies to produce sensitive, non-public information by issuing subpoenas.<sup>4</sup>

The Dodd-Frank Act authorizes the U.S. Treasury Department to establish, by regulation, a schedule<sup>5</sup> to collect assessments or fees from financial institutions to be deposited into the Financial Research Fund (FRF). The FRF funds the expenses of the OFR and the FSOC, and certain expenses incurred by the Federal Deposit Insurance Corporation (FDIC), outside of the Congressional appropriations process. H.R. 3340 subjects the funding for OFR and FSOC to the Congressional appropriations process, requires the OFR to submit quarterly reports to Congress regarding its activities, and requires a public notice and comment period before OFR can issue a report, rule, or regulation.

According to the bill sponsor, “American businesses and consumers are frustrated by an out of control federal bureaucracy. By restoring a transparent, constitutional process, Congress would have the opportunity to verify that the Financial Stability Oversight Council (FSOC) is performing its duties and not harming access capital for families and businesses. [...] Congress must ensure that the appropriate checks and balances are in place to oversee the power of regulators in order to protect consumers and the rights of Americans.”<sup>6</sup>

## **COST**

The Congressional Budget Office [estimates](#) that enacting H.R. 3340 would reduce direct spending by about \$1.3 billion over the 2016-2025 period; therefore pay-as-you-go procedures apply. CBO estimates that implementing the bill would cost the same amount over that period, assuming appropriation of the necessary amounts.

## **STAFF CONTACT**

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

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<sup>4</sup> See 12 U.S. Code § 5343.

<sup>5</sup> See 12 U.S. Code § 5345

<sup>6</sup> See Rep. Tom Emmer Press Release, [“Emmer Introduces the Financial Stability Oversight Council Reform Act.”](#) July 30, 2015.